

August 13, 1993

James R. Brown, III
Brown, Brown and White, Chartered
8501 La Salle Road
Baltimore, MD 21286-5980

Re: Nonmember Deposits (Your July 14, 1993)

Dear Mr. Brown:

You have asked whether deposits by nonmembers in State Employees Credit Union (CU) are insured by the National Credit Union Share Insurance Fund (NCUSIF). Because the deposits are not shares received from other credit unions or public units and since the CU does not have a low-income designation, the deposits are not defined as member accounts and therefore not insured by the NCUSIF.

ANALYSIS

Under the Annotated Code of Maryland, Financial Institutions Article, Section 203(b)(9), state-chartered credit unions are permitted to accept deposits. These deposits can be from members or nonmembers.

All federal credit unions (FCUs) have the authority to accept certain types of nonmember accounts. Section 107(6) of the FCU Act (12 U.S.C. ~1757(6)) authorizes all FCUs to receive payments on accounts from other credit unions and nonmember units of Federal, Indian Tribal, State or local governments and political subdivisions thereof (public units). FCUs that obtain a low-income designation may accept deposits from any source outside of their membership pursuant to Section 107(6) of the FCU Act. Only member accounts are insured by the NCUSIF. Part 745.1 of NCUA's Regulations defines both "member" and "accounts." An account is defined as a

. . . share, share certificate or share draft accounts (or their equivalent under state law, as determined by the Board in case of a insured state credit unions) of a member (which includes other credit unions, public units and nonmembers permitted under the Act) . . .

A member is defined as:

. . . those persons enumerated in the credit union's field of membership who have been elected to membership in accordance with the Act or state law in the case of state credit unions. It also includes those nonmembers permitted under the Act to maintain accounts in an insured credit, including nonmember credit unions and nonmember public units and political subdivision.

Therefore, only the above-cited nonmember accounts are treated as member accounts for insurance purposes. These nonmember accounts, if properly accepted and maintained are insured by the NCUSIF up to the \$100,000 limit as if they were member accounts. The deposits described in you letter do not meet any of the above categories of insured nonmember accounts and are therefore not insured by the NCUSIF.

Sincerely,

James Engel
Deputy General Counsel

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